

Combined Financial Statements of

**LONDON DOWNTOWN BUSINESS  
ASSOCIATION**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of London Downtown Business Association

### ***Opinion***

We have audited the combined financial statements of London Downtown Business Association (the "Entity"), which comprise:

- the combined statement of financial position as at December 31, 2022
- the combined statement of operations for the year then ended
- the combined statement of change in net financial assets for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the combined financial position of the Entity as at December 31, 2022, and its combined results of operations, its combined change in net financial assets and its combined cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 8, 2023

# LONDON DOWNTOWN BUSINESS ASSOCIATION

## Combined Statement of Financial Position

December 31, 2022, with comparative information for 2021

	LDBA 2022	Main Street 2022	Total 2022	Total 2021
<b>Financial assets</b>				
Cash and cash equivalents	\$ 874,346	\$ 208,418	\$ 1,082,764	\$ 623,379
Investments	-	-	-	401,972
Accounts receivable	95,925	69,382	165,307	94,298
Due from the Hyde Park Business Improvement Association Board of Management (note 3)	11,048	-	11,048	18,333
	981,319	277,800	1,259,119	1,137,982
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities (note 3)	299,709	8	299,717	156,335
Deferred revenue	11,048	-	11,048	18,333
Funds on deposit	-	144,705	144,705	198,048
	310,757	144,713	455,470	372,716
Net financial assets	670,562	133,087	803,649	765,266
<b>Non-financial assets</b>				
Tangible capital assets (note 2)	18,780	-	18,780	38,302
Prepaid expenses	11,496	-	11,496	-
	30,276	-	30,276	38,302
<b>Commitments (note 5)</b>				
Accumulated surplus (note 4)	\$ 700,838	\$ 133,087	\$ 833,925	\$ 803,568

See accompanying notes to combined financial statements.

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

# LONDON DOWNTOWN BUSINESS ASSOCIATION

## Combined Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Budget	LDBA 2022	Main Street 2022	Total 2022	Total 2021
<b>Revenue:</b>					
Municipal levy from the City of London	\$ 1,815,238	\$ 1,700,552	\$ 15,000	\$ 1,715,552	\$ 1,840,732
Main Street London funding	220,000	-	106,158	106,158	245,000
Interest income	1,600	6,350	194	6,544	4,416
Miscellaneous income (note 3)	29,000	219,678	158,125	377,803	197,501
<b>Total revenue</b>	<b>2,065,838</b>	<b>1,926,580</b>	<b>279,477</b>	<b>2,206,057</b>	<b>2,287,649</b>
<b>Expenses:</b>					
Business development	497,838	706,038	-	706,038	612,360
Salaries and wages	570,000	567,679	-	567,679	727,925
Programs	220,000	-	203,715	203,715	353,581
Member services	595,000	490,041	-	490,041	641,032
Administration	100,000	101,079	7,308	108,387	100,753
Rent	83,000	79,718	-	79,718	80,226
Amortization	-	19,522	-	19,522	16,097
Bad debts	-	-	600	600	-
<b>Total expenses</b>	<b>2,065,838</b>	<b>1,964,077</b>	<b>211,623</b>	<b>2,175,700</b>	<b>2,531,974</b>
<b>Annual surplus (deficit)</b>	<b>-</b>	<b>(37,497)</b>	<b>67,854</b>	<b>30,357</b>	<b>(244,325)</b>
Accumulated surplus, beginning of year	803,568	738,335	65,233	803,568	1,047,893
<b>Accumulated surplus, end of year</b>	<b>\$ 803,568</b>	<b>\$ 700,838</b>	<b>\$ 133,087</b>	<b>\$ 833,925</b>	<b>\$ 803,568</b>

See accompanying notes to combined financial statements.

## LONDON DOWNTOWN BUSINESS ASSOCIATION

### Combined Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget	LDBA 2022	Main Street 2022	Total 2022	Total 2021
Annual surplus (deficit) \$	-	\$ (37,497)	\$ 67,854	\$ 30,357	\$ (244,325)
Acquisition of tangible capital assets	-	-	-	-	(18,685)
Amortization of tangible capital assets	-	19,522	-	19,522	16,097
	-	(17,975)	67,854	49,879	(246,913)
Change in prepaid expenses	-	(11,496)	-	(11,496)	-
Change in net financial assets	-	(29,471)	67,854	38,383	(246,913)
Net financial assets, beginning of year	765,266	700,033	65,233	765,266	1,012,179
Net financial assets, end of year	\$ 765,266	\$ 670,562	\$ 133,087	\$ 803,649	\$ 765,266

See accompanying notes to combined financial statements.

# LONDON DOWNTOWN BUSINESS ASSOCIATION

## Combined Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash and cash equivalents provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 30,357	\$ (244,325)
Item not involving cash:		
Amortization	19,522	16,097
Changes in non-cash operating working capital:		
Accounts receivable	(71,009)	15,982
Due from related party	7,285	(18,027)
Prepaid expenses	(11,496)	-
Accounts payable and accrued liabilities	143,382	(65,233)
Deferred revenue	(7,285)	18,027
	110,756	(277,479)
Financing activities:		
Funds on deposit	(53,343)	(20,734)
Capital activities:		
Acquisitions of tangible capital assets	-	(18,685)
Investing activities:		
Change in investments, net	401,972	(401,972)
Increase (decrease) in cash and cash equivalents	459,385	(718,870)
Cash and cash equivalents, beginning of year	623,379	1,342,249
Cash and cash equivalents, end of year	\$ 1,082,764	\$ 623,379
Supplemental cash flow information:		
Cash	\$ 1,021,967	\$ 562,581
Cash equivalents	60,797	60,798
	\$ 1,082,764	\$ 623,379

See accompanying notes to combined financial statements.



# LONDON DOWNTOWN BUSINESS ASSOCIATION

## Notes to Combined Financial Statements

Year ended December 31, 2022

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### 1. Significant accounting policies:

The combined financial statements of the London Downtown Business Association (the "Association") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Handbook - Accounting.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash equivalents:

Cash equivalents consist of guaranteed investment certificates due on demand.

(c) Investments:

Investments consist of guaranteed investment certificates. Interest income is recognized as it is earned.

(d) Government transfers:

Government transfer payments from the City of London are recognized in the combined financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Deferred revenue:

Funds received for expenses of future periods are deferred and recognized as income when the costs for which the revenue is received are incurred.

# LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Furniture	5 years
Computer equipment	4 years
Leasehold improvements	Lease term

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(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Such estimates include valuation of accounts receivable, tenant improvement loans and other long-lived assets. Actual results could differ from those estimates.

(h) Budget amounts:

Budget figures have been provided for comparison purposes.

(i) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

# LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (j) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ending December 31, 2022, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

### (i) Asset Retirement Obligations

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Association's December 31, 2023 year-end).

# LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2022

## 2. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Furniture	\$ 18,685	\$ -	\$ -	\$ 18,685
Computer equipment	11,753	-	-	11,753
Leasehold improvements	124,272	-	-	124,272
<b>Total</b>	<b>\$ 154,710</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 154,710</b>

Accumulated amortization	Balance at December 31, 2021	Disposals	Amortization expense	Balance at December 31, 2022
Furniture	\$ 311	\$ -	\$ 3,737	\$ 4,048
Computer equipment	8,397	-	3,356	11,753
Leasehold improvements	107,700	-	12,429	120,129
<b>Total</b>	<b>\$ 116,408</b>	<b>\$ -</b>	<b>\$ 19,522</b>	<b>\$ 135,930</b>

	Net book value December 31, 2021	Net book value December 31, 2022
Furniture	\$ 18,374	\$ 14,637
Computer equipment	3,356	-
Leasehold improvements	16,572	4,143
	<b>\$ 38,302</b>	<b>\$ 18,780</b>

# LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2022

### 3. Related party transactions:

At year end, amounts owing to the Corporation of the City of London (the "City"), an organization that has control over the Association, were \$204,686 (2021 - \$36,350). This has been included in Accounts payable and accrued liabilities on the Combined Statement of Financial Position. During the year, \$101,371 (2021 - \$153,493) was received from the City and recorded within miscellaneous income on the Combined Statement of Operations.

The Hyde Park Business Improvement Association Board of Management ("HPBIA") is an organization under common control. Through the shared Digital Main Street grant, HPBIA incurred expenses of \$12,936 (2021 - \$14,476) on behalf of the Association. This has been included in miscellaneous income and member services on the Combined Statement of Operations.

### 4. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 18,780	\$ 38,302
Operating surplus	670,440	567,218
	689,220	605,520
Restricted cash for Downtown Dollars	144,705	198,048
	\$ 833,925	\$ 803,568

### 5. Commitments:

The Association is committed to payments under operating leases for their premises as well as furniture and equipment as follows:

2023	\$ 76,380
2024	31,825
	\$ 108,205